

# **SECTION 12**

## **VEHICLE ALLOWANCE POLICY**



### **NALEDI LOCAL MUNICIPALITY**

Council resolves to adopt the following proposal as the Vehicle Allowance Policy of the Naledi Local Municipality

Policy effective date:	[30 May 2012]
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Resolution:	[141/2012]

# VEHICLE ALLOWANCE POLICY

## NALEDI LOCAL MUNICIPALITY

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### 1. INTRODUCTION

- a) It is essential that representatives of the municipality from time to time travel to other cities and towns in order to:
  - i. Establish and maintain links and relationships with other municipalities, government bodies, and other parties, institutions and organisations operating in the sphere of local government. It is important for representatives to broaden their knowledge and understanding of and compare local experiences in local government transformation, innovation and change in the rest of the country, and this can effectively be done only through the medium of personal contact with a wide range of local government stakeholders.
  - ii. Attend seminars, work related workshops, committee meetings with a direct influence on the Council's activities.
- b) The allocation of a vehicle allowance to Senior Managers as well as field workers enables these staff members to fulfil their duties
- c) Any changes to this policy, as required from time to time, shall be presented and motivated to Council by the Municipal Manager.

### 2. PURPOSE

The purpose of this policy is to:

- a) Set out the basis for the payment of a Vehicle Allowance for the purposes of official travelling.
- b) Ensure that officials, councillors and other role players are remunerated fairly and equitably for costs incurred while travelling in the execution of duties for and on behalf of the municipality

### 3. DEFINITIONS

"Official Distance"	Distance in kilometres travelled by an employee in his employer's service, excluding distance between place of work and residence.
"Days"	Number of working days in the service of the participating local authority.  "Car ownership cost" As reflected by the Automobile Association of South Africa tables of 'estimated average car ownership cost' (attached).

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"Total fixed cost"	Tariff in cents per kilometre as determined on the purchase value of the vehicles, provided that this value does not exceed the retail selling value of the relative vehicle as reflected in the Auto Dealers Digest, plus general sales tax.
"Total running cost"	Tariff in cents per kilometre which is composed of the following: <ul style="list-style-type: none"> <li>o Cost of fuel in relation to the vehicles engine capacity or as restricted in this scheme.</li> <li>o Maintenance cost in relation to the vehicle's engine capacity or as restricted to this scheme.</li> </ul>

#### 4. OBJECTIVE OF THE SCHEME

This scheme deals with the payment of a transport allowance to employees of Naledi Local Municipality who are required to utilize private transport in the execution of official duties.

The objectives of the scheme are to provide for the following:

- a) Uniform guidelines, conditions and limitations in terms of which the scheme is to be run; and
- b) The basis of compensation and scheme benefits in respect of employees who utilise private transport in the execution of their official duties.

#### 5. SCHEME PARTICIPATION

Any employee of Naledi Local Municipality who, on request and with the approval of the Municipal Manager, utilizes a private vehicle in the execution of official duties, is a participant in the scheme and is consequently entitled to the specified scheme benefits, but is also subject to the conditions and limitations contained in the scheme.

#### 6. SCHEME STIPULATIONS

This scheme provides for participation by all employees of Naledi Local Municipality, except Section 57 Managers, who with the approval of such authority, utilize private transport in the execution of official duties. Admission to and participation in the scheme are thus primarily determined by the utilization of private transport for official purposes. Regardless whether the utilization of such transport is temporary, casual or a fixed nature.

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Participation in the scheme is thus determined and limited by cost advantages and economical considerations. It is therefore the responsibility of Naledi Local Municipality, with due regard to the scheme stipulations, to determine to what extent private transport shall be utilized for official purposes.

Any claims in addition to the allowances as stated below will be claimed in accordance with the Subsistence and Travel Policy.

### a) Classifying Transport Allowances

The payment of transport allowances is calculated on the basis of the official distances travelled by private transport over a given period of time. In this scheme provision is thus made for the payment of transport allowances in respect of the utilization of private transport for temporary, casual or continues journeys undertaken in an official capacity.

For classification purposes, the following forms of transport allowances are identified.

#### i. A fixed transport allowance

- This allowances is comparable with the fixed transport allowance prescribed by the department: constitutional development services for all chief executive officers throughout south Africa , in terms of the remuneration of town clerk act, 1984 (Act No.115 of 1984).
- The allowance referred to is intended for incumbents of posts of head of department, deputy head of department and assistant head of department.
- Such incumbents qualify for a monthly transport allowance without proof of distance travelled, as follows:

- Head of department	850 km
- Deputy heads of department	750 km
- Assistant head of department	650 km
- The tariffs for the basic distance allocated to an employee is paid to an employee for journeys within the boundaries of the Municipality and he is not required to provide proof of the distance travelled for official journeys.
- For journeys outside the boundaries of the Municipality the employee must be compensated in accordance with the prescribed tariff for total running costs for the actual distance travelled.
- It is thus a requirement that such incumbents of posts shall have private transport available on a daily basis for the execution of official duties. The payment of a monthly transport allowance to the various incumbents is however subject to the following conditions:
  - Submission of the relevant Application Form, coupled with the required attached documents (Form VA(1)).
  - That no official transport is provided to such incumbents.

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- That the maximum distance prescribed for Post Level 1 is not exceeded.
- That the residence to place of work journeys does not form part of the allowance.
- That all other requirements contained in this scheme are complied with.

#### ii. A running transport allowance

- When it is agreed with an employee to daily utilize private transport for the execution of official duties, and such employee travels more than 300 km per month in the process, a running monthly transport allowance shall be paid in accordance with the total distance travelled.
- The post, to which this monthly running transport allowance is coupled, is known as a transport allowance bearing position and is subject to the conditions specified in this scheme.
- It is thus a requirement that such incumbents of posts shall have private transport available on a daily basis for the execution of official duties. The payment of a Running Transport Allowance is however subject to the following conditions:
  - Submission of the relevant application form (VA (2)), including recommendation of monthly kilometres, as well as motivation for the recommendation signed by the relevant head of department.
  - Submission of all required documents as per the application form.
  - Submission of a monthly log sheet.
- During the first three months after approval of the Running Vehicle Allowance the monthly log sheet will be utilised to determine whether the recommended monthly kilometres is valid. The kilometres travelled during the foregoing three months will be multiplied by four and the result rounded off to the nearest 100 kilometres in order to obtain the true annual official kilometre distance relative to the post. After the first three months the allocated kilometres may thus be adjusted to reflect the true nature of the transport allowance bearing position.
- Should the Municipality or incumbent of a transport allowance bearing post require a re-determination of the official distance limitation connected to a position, written notice must be given to the particular head of department. Immediately after expiry of seven days of serving such notice, the relative employee must continue to maintain a daily return of all official journeys for three months, which will then be used as per the above to re-determine the official distance limitation.
- Should an employee not be satisfied with the determination or re-determination of the official distance limitation applicable to the transport allowance bearing position occupied by him, a written request for re-evaluation of the distance limitation must be lodged with the Municipal Manager.

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- The maximum kilometre distance (distance limitation) per month that the Municipality determines for each post other than that of a head, deputy or assistant head of a department, will be pertinently made know to the employee.
- The distance limitation as described in above includes all journeys inside and outside the boundaries of the Municipality.

### iii. Ad Hoc transport allowance in respect of temporary and casual official journeys

- Ad hoc transport allowances are payable in cases where temporary or casual official journeys are undertaken by means of private transport. The following provisions apply to:
  - an employee occupying a transport bearing position and who temporarily occupies another transport bearing position and leaves his own position, shall from this date, and for as long as he temporarily acts in the other position, be paid a transport allowance based on the official annual kilometre distance applicable to the temporary position, or the transport allowance applicable to his own position, whichever is the bigger, and the transport allowance payable in terms of the this paragraph shall be calculated as follows:

$$A = (b \times \frac{c1}{12} \times f \times k + (b \times \frac{c2}{12} \times f \times m)$$

- Where:

*A = Monthly transport allowance;*

*b = total vehicle ownership cost per kilometre based on the actual new purchase price of the vehicle provided by the employee, limited to the annual salary of the incumbent and on annual kilometre distance of 18 000 kilometres;*

*c1 = official annual kilometre distance in respect on employee's own position, as determined;*

*c2 = official annual kilometre distance in respect of the position temporarily occupied by the employee as determined;*

*f = number of working days in the calendar month in which the transport allowance are calculated;*

*k = number of working days that the employee occupies his own position in the calendar month mentioned in f; and*

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*m = number of working days in the calendar month mentioned in f that the employee occupies the temporary position mentioned in c2.*

- An employee who occupies a transport allowance bearing position and who temporarily, in addition to his own duties, occupies that of another employee for a period of five working days per month or more, shall receive the transport allowance applicable to the post occupied by him, as well as an additional amount for official kilometres travelled in the execution of duties applicable to the position of the other employee. This additional amount, payable after submission of daily returns, shall be calculated as follows:

$$A = g \times a$$

- Where:

*A = Additional Amount*

*g = total running costs per kilometre;*

*a = kilometre distance travelled in the execution of duties applicable to the position of the other employee.*

- An employee who does not occupy a transport allowance bearing position, when acting temporarily in the place of an employee who does occupy a transport allowance bearing position, shall, if such employee provides a private vehicle for the period during which so acting, receive the transport allowance applicable to such transport allowance bearing position. Such transport allowance shall be calculated as follows:

$$A = b \times \frac{c}{12} \times e$$

$$12 \quad f$$

Where:

*A = Transport allowance payable*



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*b = total vehicle ownership cost per kilometre based on the actual new purchase price of the vehicle provided by the employee, limited to the annual salary of the incumbent and on an annual kilometre distance of 18 000 kilometres;*

*c = annual kilometre distance as determined in respect of the position in which the employee temporarily acts;*

*e = number of working days that the employee acts in the temporary position in the calendar month mention in f; and*

*f = number of working days in the calendar month in which the transport allowance is calculated.*

#### b) Calculation of transport allowances

##### i. Basis of compensation (tables)

All transport allowances payable shall be calculated in accordance with the tables of the Automobile association of South Africa (hereinafter referred to as the AA Tables (Attached)).

The AA tables provide for the following cost factors:

##### - Fixed Cost

This factor includes the following elements i.e.:

Depreciation on new car value, loss of interest (at current rates) comprehensive insurance (based on Reef premiums), licence, registration and parking fees. To calculated fixed cost, the actual purchase price shall be related to the annual distance applicable in the case. For purposes of fixed cost, the purchase price of the vehicle of the vehicle shall be used as basis. Should this price be higher than the retail sales value of the vehicle, according to the "Auto Dealer's Digest", the last mentioned value shall be used for the calculation purposes.

##### - Cost of fuel

This factor is related to the price of premium and regular fuel on the Reef and off the cost. Fuel consumption factors for urban and rural journeys have been applied.

##### - Maintenance Cost

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This factor includes the following elements i.e. tyres, spares, repairs, servicing, lubrication and wash and polish. To obtain maintenance cost in cents/kilometre related the engine size to annual distance travelled.

- Total ownership cost

This factor represents the sum total of the fixed, fuel and maintenance cost of a vehicle, and represents the tariff base for transport allowance calculations.

*No deviation is allowed from the abovementioned table which represents the tendency of projected average motor ownership costs over six years.*

#### ii. Principles of Compensation

- A transport allowance is payable monthly and is calculated as follows:

$$A = b \times \frac{c}{12}$$

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*Where A = the monthly transport allowance*

*b = total ownership cost per kilometre; and*

*c = total annual kilometre distance.*

- The transport allowance for a particular calendar month shall, where possible, be paid to the employee at the end of the same month.
- With regard to periods of unpaid leave or the period prior to an employee assuming duty in the particular transport allowance bearing position, such monthly transport allowance of an employee shall be reduced on a pro rata basis.

#### iii. Fixed transport allowance payments

This payment refers to the fixed amount which is payable monthly to the incumbents of posts of head of departments, deputy head of department and assistant head of department, on job levels 1, 2a and 2 on the establishment of participating local authorities. The basis for calculation and payment is as follows:

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- The specified tariff for fixed, fuel and maintenance costs in the appropriate AA Tables for vehicles travelling 8 000 km's per annum: Provided that the calculation is limited to the maximum of the 100 percent of the employees salary.
- The fixed distance limitation pertaining to the particular post.
- In respect of official journeys outside the limitation specified above, only the prescribed tariff for total running cost ( fuel and maintenance) is payable.

#### iv. Payments of Running and ad hoc transport allowances

These allowances refer to the amounts payable monthly to incumbents of transport allowance bearing positions.

The basis for calculation and payment of running and ad hoc transport allowances is as follows:

- The tariff for fixed, fuel and maintenance cost, as specified in the appropriate AA Tables for vehicles travelling 18 000 kilometres per annum. Calculations with regard to running and ad hoc transport allowances are however limited to vehicles with a maximum cylinder capacity of 2500cc and the maximum of 100 percent of the employees salary; and
- The approved distance completed for official purposes with private transport.

#### v. Adjustment and revision of transport allowance tariff

The calculation of transport allowances are adjusted automatically and amended in terms of the AA Tables published from time to time. The adjustment and amendments will be effected from the first day of the month following the month of adjustment in which the Automobile Association of South Africa publishes such revised calculations for car ownership costs.

#### vi. Suspension of transport allowances

- Should an employee occupying a transport allowance bearing position be transferred at his own request to another position not bearing any transport allowance, no transport allowance shall be payable from date of transfer.
- Should an employee who occupies a transport allowance bearing position be transferred by the Municipality to a non transport bearing position without such employee requesting such transfer, the Municipality shall give such employee six months written notice of the retraction of the transport allowance, during which

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period of six months the employee shall receive a monthly transport allowance calculated on the following basis, provided the employee's vehicle is not utilised by the Municipality during such period:

$$A = h \times \frac{c}{12}$$

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*Where A = Monthly transport allowance*

*h = total fixed cost per kilometre; and*

*c = annual kilometre distance as determine in accordance with the scheme.*

- Should the Municipality decide to retract an employee's transport allowance, the employee shall receive six months notice of such retraction during which period of six months the employee shall receive a monthly transport allowance calculated on the basis as determined by formula above, provided the employee's vehicle is not utilised by the Municipality during this period.

### 7. DELEGATION OF POWERS

This policy should be applied with due observance of the municipality's policy with regard to delegated powers. Such delegations refer to delegations between the Council and Municipal Manager as well as between the Municipal Manager and other responsible officials. All delegations in terms of this policy document should be recorded in writing.

### 8. IMPLEMENTATION OF THIS POLICY

- a) This policy will be effective from the date the policy is approved per council resolution.
- b) The implementation of this policy cannot be backdated and all sections thereof will only be implemented from date of approval.